

AUDIT COMMITTEE REPORT

The Audit Committee of the Board was established in December 1998 and currently comprises three Independent Non-executive Directors and the Non-executive Director of the Company, who among themselves possess a wealth of financial and accounting experience in the accounting profession, finance and commercial sectors. The list of members of the Audit Committee can be found in the section headed "Corporate Information & Key Dates" of this annual report.

The Audit Committee operates pursuant to written terms of reference. With the amendments to the Code under the Listing Rules with effect from 1 January 2009, the Board has passed resolution to approve the amendment to the terms of reference of the Audit Committee in accordance with the new Code. Such amendment to the terms of reference has also taken effect from 1 January 2009 and the revised terms of reference is available on the Company's website at www.kerryprops.com.

In general, the Audit Committee is responsible for assisting the Board in discharging its responsibilities in monitoring the integrity of the Group's financial reporting process, the financial statements and reports of the Company, the effectiveness of the Group's system of internal controls, the performance of the Group's internal audit function, as well as arrangements with external auditor. The revised terms of reference has extended the annual review function of the Audit Committee to include consideration of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget. As the new Code became effective on 1 January 2009, the Audit Committee will carry out such review under the new Code at the Audit Committee Meeting to be held in 2009.

In discharging its responsibilities, set out below is a summary of the work performed by the Audit Committee during the financial year ended 31 December 2008:-

- (i) The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- (ii) The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.
- (iii) The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2008.

- (iv) Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.
- (v) The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor.
- (vi) The Audit Committee reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group's senior management.
- (vii) The Audit Committee reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.
- (viii) The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of internal controls through a review of the work undertaken by the Group's internal and external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board.

During the financial year ended 31 December 2008, the Audit Committee met four times and the Audit Committee also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the Audit Committee Meetings are documented and circulated to the Board for information. The Audit Committee also reports and presents its findings and makes recommendations for consideration and discussion at Board meetings.

On 5 March 2009, the Audit Committee also reviewed the financial statements of the Group for the year ended 31 December 2008 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT COMMITTEE

LAU Ling Fai, Herald (Chairman)

KU Moon Lun

WONG Yu Pok, Marina, JP

(appointed on 20 May 2008)

TSE Kai Chi

Hong Kong, 18 March 2009